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News Release

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Three plead guilty to money laundering, mail fraud in connection with Petters Company fraud

Three individuals connected to Petters Co., Inc. (PCI) pleaded guilty today in federal court in connection with an alleged scheme to defraud and obtain billions of dollars from third-party lenders, and to launder billions of dollars of proceeds of the fraud.

Deanna Lynn Coleman, 42, Plymouth, pleaded guilty to one count of conspiracy to commit mail fraud; Robert Dean White, 67, Excelsior, pleaded guilty to one count of mail fraud and one count of money laundering. Michael Catain, 52 Shorewood, pleaded guilty to one count of conspiracy to commit money laundering. All three pleas were entered in St. Paul before United States District Court Judge Paul Magnuson. White was charged on Sept. 30; Catain was charged on Oct. 3; and Coleman was charged on Oct. 6.

Coleman, an officer of PCI, admitted that she conspired and agreed with other individuals to execute a scheme to defraud investors who extended loans to PCI. Coleman further admitted that at the direction of PCI, she and White fabricated documents that PCI and other persons used to fraudulently induce third parties to loan PCI billions of dollars. Many of these documents were sent via the U.S. Mail.

White admitted to participating in the same fraudulent scheme and using the U.S. Mail to execute the scheme, and, furthermore, to committing money laundering by engaging in a monetary transaction involving the proceeds of fraud by depositing in his bank account a \$500,000 check in December 2007 that White knew was proceeds of the fraudulent scheme. White and Coleman both admitted that more than \$3 billion in fraudulently obtained debt remains outstanding.

White and Coleman admitted that, at the direction of PCI, they fabricated documents to make it appear that PCI was purchasing merchandise from two supplier companies; Enchanted Family Buying Co. (EFBC), which was run by Catain, and Nationwide International Resources, Inc. (NIR). Coleman and White also admitted that they created other documents to make it appear that PCI was then selling this merchandise to big-box retailers. The transactions were

fictitious and the documents were fabricated.

A substantial portion of the funds that were lent to PCI were secured by promissory notes, and in some instances by security agreements, that pledged as collateral either: (a) the merchandise that PCI purportedly had purchased from EFBC and NIR; and/or (b) accounts receivable for the fictitious purchase orders between PCI and the big-box retailers. In many instances, lenders would wire the funds lent to PCI directly to EFBC or NIR based on representations made to the lenders by PCI that the funds would be used to finance the merchandise purportedly purchased by PCI. In such cases, rather than provide PCI with merchandise, EFBC and NIR would simply re-direct the funds to PCI less a commission.

During the course of the conspiracy, NIR and EFBC funneled billions of dollars through their respective accounts in furtherance of the scheme, and Catain was paid millions of dollars for the use of company accounts to conceal the fraudulent nature of the transactions. Coleman and White also admitted receiving millions of dollars for their efforts.

According to Catain's plea agreement, from 2002 through September 2008, he admitted conspiring with other persons to launder the proceeds of the fraud scheme.

In 2002, Catain started EFBC, which in fact was a shell corporation that had no real operations. Catain then opened a bank account in EFBC's name in 2002, and at the request of PCI, Catain began receiving funds into the EFBC account for PCI. These funds were wired from third-party investors that loaned money to PCI, and these investors were advised that the funds were being sent to EFBC for the purchase of consumer electronics by PCI. In fact, the plea agreement states, Catain wired almost all of the funds back to PCI.

The plea agreement states that from 2002 through September 2008, approximately \$12 billion was routed through the EFBC account and re-directed to PCI. Multiple times each month, wire transfers were made into the EFBC account, and those transfers ranged from approximately \$2 million to approximately \$25 million.

Based on an agreement with PCI, Catain kept a percentage of the funds run through the EFBC account as a "commission," the plea agreement states. That commission ranged between .025 and .05 percent of each individual transfer.

Catain admitted that he knew that the funds wired came from investors that were providing loans to PCI, and also admitted that he knew that PCI made false representations to investors about EFBC and the purpose of the funds wired. Catain further admitted that he knew that PCI made no purchases of merchandise from EFBC, and that the EFBC account was being used by PCI to conceal and disguise the nature, source, ownership and control of the funds to promote the fraud scheme.

From 2002 through September 2008, Catain obtained more than \$3 million in commissions for his role in the scheme. The plea agreement states that the vast majority of fraud proceeds went to PCI.

Coleman faces a potential maximum penalty of five years; White faces a potential maximum penalty of 20 years in prison on the mail fraud count and 10 years on the money laundering count; and Catain faces a potential maximum penalty of 20 years in prison. Judge Magnuson will

determine their sentences at a future date.

These cases are the result of an investigation by the Federal Bureau of Investigation, the U.S. Postal Inspection Service and the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorneys Joe Dixon, John Docherty, John R. Marti and Timothy C. Rank.